



Corporate Profits 1979

Economic Road Maps

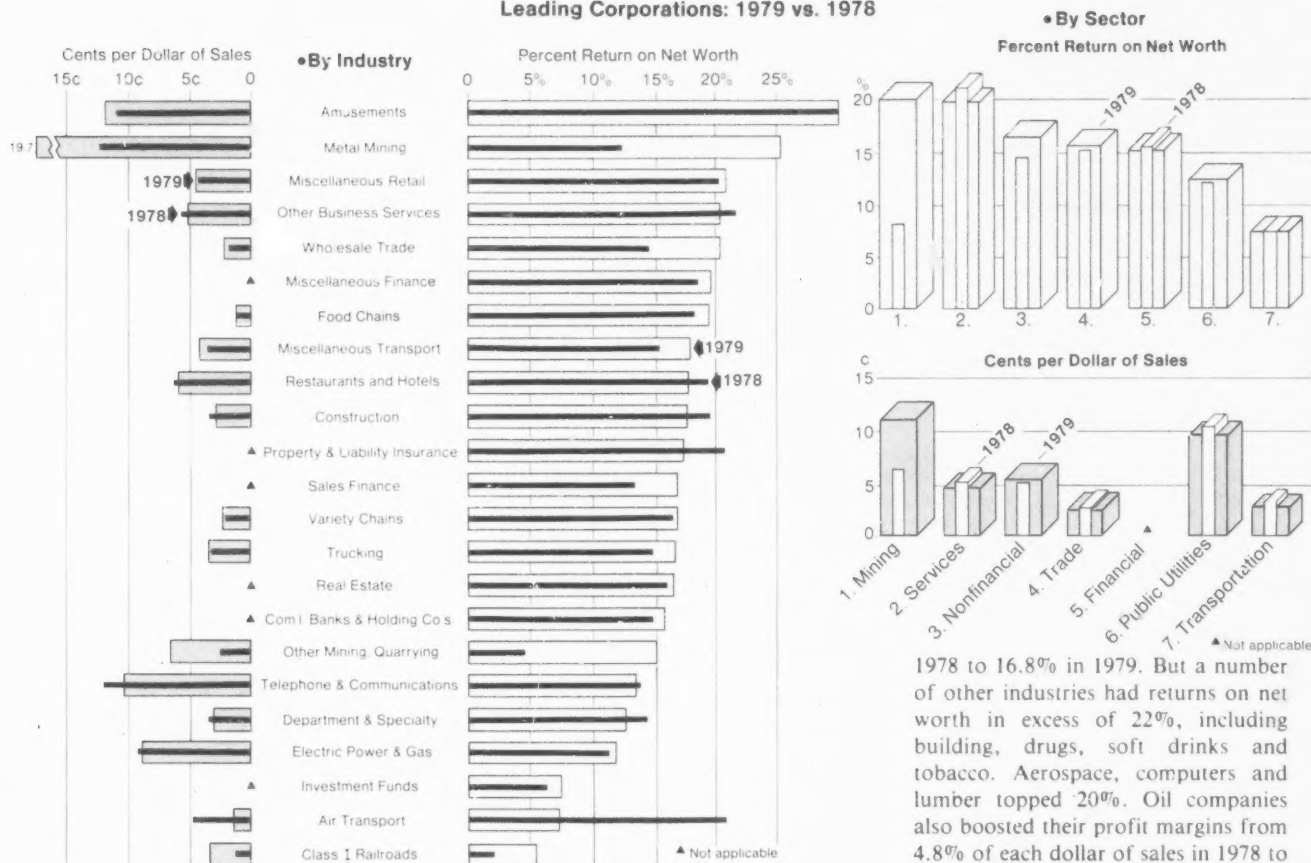
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The U.S. economy labored under two major worries last year—the threat of impending recession on the one hand; continued high inflation on the other. Recession failed to materialize and corporate profits rose substantially once again. However, much of this gain was caused by illusory profits due to accounting methods that fail to allow for the high and rising cost of replacing fixed capital and inventories. According to the latest annual Citibank survey, aftertax book profits of leading corporations in 1979 were \$122 billion, up \$17 billion from 1978.

Profits After Taxes-Nonmanufacturing

Leading Corporations: 1979 vs. 1978



Most industries reported higher aftertax profits in 1979 than in 1978, but by far the largest rise was in the oil industry. Of the \$17 billion increase in manufacturing profits, almost two-thirds (\$10.7 billion) was in petroleum producing and refining. The 71% increase in oil company profits contrasts sharply with an increase of 13% (\$6.2 billion) for the other manufacturing companies. Petroleum companies boosted their rate of return on net worth by more than a half from 14.5% in 1978 to 22.9% in 1979. The overall rate of return for all other manufacturing companies edged up from 16.4% in

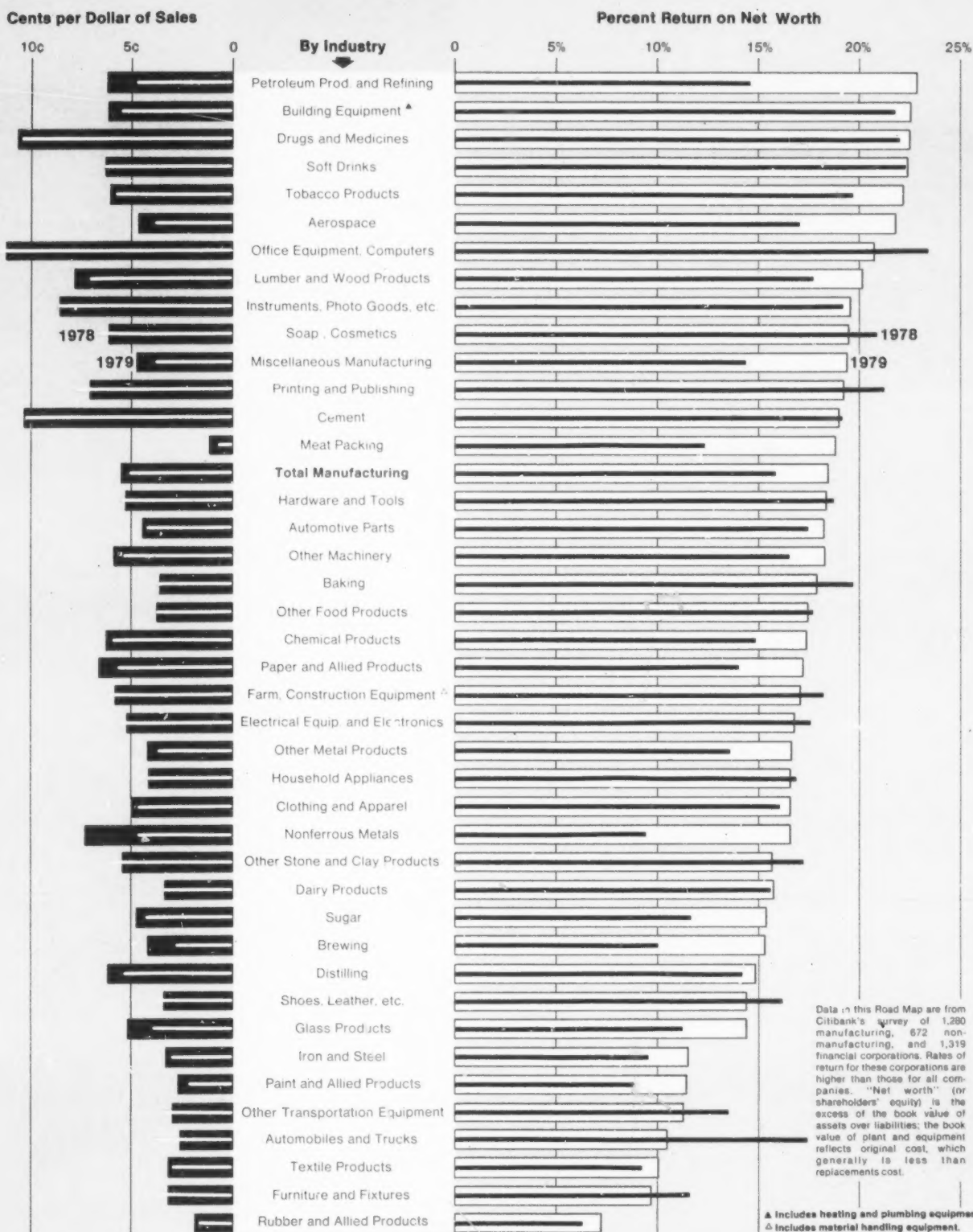
1978 to 16.8% in 1979. But a number of other industries had returns on net worth in excess of 22%, including building, drugs, soft drinks and tobacco. Aerospace, computers and lumber topped 20%. Oil companies also boosted their profit margins from 4.8% of each dollar of sales in 1978 to 6.2% in 1979. The computer, drug and cement industries reported margins of over 10% in both 1978 and 1979, and several other industries also had higher margins than the petroleum industry in 1979. Overall profit margins in manufacturing were squeezed during 1979.

Eva Culen

Sources: Citibank; The Conference Board.

Profits After Taxes - Manufacturing

Leading Corporations: 1979 vs 1978



ECONOMIC ROAD MAPS

Eva Culen, Editor

Chuck N. Tow, Lead Chartist

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director
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THE CONFERENCE BOARD

845 Third Avenue, New York, N.Y. 10022

THE CONFERENCE BOARD IN CANADA

25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

THE CONFERENCE BOARD IN EUROPE

Avenue Louise, 326 - Bte 48
B-1050 Brussels, Belgium